
Cost Corrections

Introduction Costs must accurately reflect assignment to the appropriate beneficiary(s). When costs are identified as errors or are more appropriately reflected elsewhere, a cost correction is required in order to properly record the costs. The Cost Correction section provides financial guidance for determining when the correction of costs between cost codes (defined as the combination of cost center, program code, cost account, work package, and financial account) is appropriate and authorized. Additionally, this section prescribes the required procedure that must be followed once the determination has been made.

Policy Current fiscal year costs may be transferred between cost codes where appropriate.

All cost corrections, including time and effort corrections, must be properly justified, documented, and approved.

Cost corrections for prior-year construction, capital, and reimbursable costs require authorization by Accounting, BUS-1.

Appropriate cost corrections Cost corrections are used to accommodate or correct the following situations:

- Coding and/or typographical errors;
- Data entry errors;
- Budget and Reporting (B&R) recasts;
- Program redirection;
- Reorganization;
- Allocation of costs incurred in one or more program codes to multiple benefiting program codes;
- Proper allocation of costs among program codes with documented related scope; or
- Other situations, as approved by BUS-1.

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Cost Corrections, Continued

Cost correction justifications Proper justification must include the specific reason for the cost correction. All cost correction requests must include the following information:

- Who identified the need for the cost correction;
- Why a particular cost is now being moved to a different cost code (specifically referencing one of the reasons cited as appropriate above); and
- What the costs are specifically for (e.g., purchases, material).

“Insufficient funds” is **not** a valid justification for a cost correction. Incidences of cost corrections with improper justifications may result in cost disallowances to UC and possibly in the assessment of penalties against the authorizing manager, the Laboratory, and UC.

Non-labor justifications are retained for three years by the General Accounting Team. Labor cost justifications are documented and retained for three years by the approving line managers.

Suspended costs BUS Division’s Appendix F Performance Measure 2.2a3a requires that costs held in suspense accounts be cleared out within 30 days and zeroed out at fiscal year-end. Cost corrections requests for all suspended costs are encouraged.

SUSPENSED COSTS		
Suspended Cost	Program Code	Cost Correction Action
Greater than \$500 (unburdened)	XK00	Submit a cost correction request (with the appropriate final cost objective included) to BUS-1.
Less than \$500	XK00	Submit a cost correction request to BUS-1 with the appropriate final cost object included. Note: If a cost correction request is not received, costs will be corrected to the provided default codes.
Labor cost	XK01	Request that either the employee or the division timekeeper correct the cost to the appropriate final cost objective on the Time and Effort system within 30 days.

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Cost Corrections, Continued

Non-labor cost corrections Cost correction requests for non-labor costs should be submitted to BUS-1, General Accounting, along with a copy of the appropriate processing FMIS screen. The table below identifies the various FMIS screens and indicates when they should be used.

FMIS Screen	Use for . . .
YCL	Year-to-date cost corrections for: <ul style="list-style-type: none"> • Program redirections • Reorganizations • B&R recasts
VVD	Travel cost corrections
VCV	All other cost corrections

Approval Business Team Leaders (BTLs) and financial analysts who approve cost corrections must be BUS Division personnel. The signature approval indicates that the approver agrees with the propriety of the cost corrections in accordance with the criteria set forth in this policy.

The signature approval required for non-labor cost corrections is addressed in the following table. Labor cost corrections must be processed through the labor system.

The number and types of required signature approvals are dependent upon the unburdened total cost of the correction and whether or not the correction spans multiple organizations (divisions or program offices) or final cost objectives.

The cognizant group leader must approve corrections that involve 200 hours or less. The group leader and the appropriate business team leader must approve corrections that involve over 200 labor hours.

Approval responsibility The line manager approving the cost correction *must* agree with the propriety of the cost correction in accordance with the criteria set forth in this policy.

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Cost Corrections, Continued

Non-labor approval/signature and notification

In the following table:

- The "Size/Type of Transfer" column refers to unburdened or untaxed costs for each line item of the transfer;
- "Division" refers to an internal customer division or program office;
- The individuals listed above the dashed line must approve and sign the cost correction;
- The individuals listed below the dashed line must receive a copy of the signed cost correction;
- In the case of cost corrections between and within Indirect cost pools, when transferring within the same Indirect cost pool (i.e., G&A, Organizational Support, or Recharge) the criteria in the "Final Cost Objective Crossed? NO" column are used; and
- When transferring between Indirect cost pools, the criteria in the "Final Cost Objective Crossed? YES" column is used.
- When costs to a program code and the quad-zero cost account/work package combination are being moved to a specified account structure and the final cost objective is **not** being crossed, the signature of the receiving analyst is not required if Division boundaries are **not** crossed. A copy of the cost correction must be sent to the analysts of all affected organization to avoid duplicate corrections.

	Final Cost Objective Crossed or Indirect Cost Pool Crossed? NO		Final Cost Objective Crossed or Indirect Cost Pool Crossed? YES	
Size/Type of Transfer	Division Crossed? NO	Division Crossed? YES	Division Crossed? NO	Division Crossed? YES
Data entry error, cost account/work package change, move commitments only, B&R recast, program redirection, reorganization:				
	<i>Financial Analyst (Sending)</i>	<i>Financial Analyst (Sending or Receiving)</i>	<i>Financial Analyst (Sending)</i>	<i>Financial Analyst (Sending or Receiving)</i>
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		Financial Analyst (Sending or Receiving)		Financial Analyst (Sending or Receiving)

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Cost Corrections, Continued

Non-labor approval/signature and notification (continued)

	Final Cost Objective Crossed or Indirect Cost Pool Crossed? NO		Final Cost Objective Crossed or Indirect Cost Pool Crossed? YES	
Size/Type of Transfer	Division Crossed? NO	Division Crossed? YES	Division Crossed? NO	Division Crossed? YES
Other cost corrections:				
< \$5k	<i>Financial Analyst (Sending)</i>	<i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>	<i>Group Leader (Sending)</i> <i>Financial Analyst (Sending)</i>	<i>Group Leader (Receiving)</i> <i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>
\$5k - \$24,999k	<i>Group Leader (Sending)</i> <i>Financial Analyst (Sending)</i>	<i>Group Leader (Receiving)</i> <i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>	<i>Group Leader (Sending)</i> <i>Financial Analyst (Sending)</i>	<i>Group Leader (Receiving)</i> <i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>
		Division BTL (Receiving)		Division BTL (Receiving)
\$25k - \$49,999k	<i>Group Leader (Sending)</i> <i>Financial Analyst (Sending)</i>	<i>Group Leader (Receiving)</i> <i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>	<i>Group Leader (Sending)</i> <i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>	<i>Group Leader (Receiving)</i> <i>Financial Analyst (Sending)</i> <i>Financial Analyst (Receiving)</i>
		Group Leader (Receiving) Division BTL (Receiving)	Project Leader (Sending) Program BTL (Receiving)	Project Leader (Receiving) Group Leader (Sending) Division BTL (Receiving) Program BTL (Receiving)

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Cost Corrections, Continued

Non-labor approval/signature and notification (continued)

	Final Cost Objective Crossed OR Indirect Cost Pool Crossed? NO		Final Cost Objective Crossed OR Indirect Cost Pool Crossed? YES	
Size/Type of Transfer	Division Crossed? NO	Division Crossed? ES	Division Crossed? NO	Division Crossed? YES
\$50k - \$99,999k	Group Leader (Sending) Division BTL (Sending)	Group Leader (Receiving) Division BTL (Receiving) Financial Analyst (Receiving)	Group Leader (Sending) Division BTL (Sending) Program BTL (Receiving)	Group Leader (Receiving) Division BTL (Sending) Division BTL (Receiving) Program BTL (Receiving)
		Group Leader (Sending) Division BTL (Sending)	Program Manager (Sending) Program Manager (Receiving)	Prog. Manager (Sending) Prog. Manager (Receiving) Group Leader (Sending) Financial Analyst (Receiving)
>= \$100k	Group Leader (Sending) Division BTL (Sending)	Group Leader (Receiving) Div. BTL (Sending) Div. BTL (Receiving)	Group Leader (Sending) Div. BTL (Sending) Prog. BTL (Receiving)	Group Leader (Receiving) Division BTL (Sending) Prog. BTL (Sending) Prog. BTL (Receiving) Div. BTL (Receiving)
		Group Leader (Sending) Financial Analyst (Receiving)	Program Director (Sending) Program Director (Receiving)	Prog. Director (Sending) Grp. Leader (Sending) Prog. Director (Receiving) Fin. Analyst (Receiving)

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Cost Corrections, Continued

Roles and responsibilities

Understanding the roles and responsibilities of each individual involved in the cost correction process is essential to its successful execution.

Role	Responsibilities
Division BTL	<ul style="list-style-type: none">• Work with line managers to establish a new cost center structure when the division reorganizes.• Assure that all responsibilities assigned to respective division financial analysts are performed in accordance with this policy.• Communicate changes in FMIS feeder ID information for the host division's feeder systems to the General Accounting Team.• Communicate changes in cost center contact information to the General Accounting Team.• Approve labor and non-labor cost corrections when the conditions of the transfer are in accordance with this policy.• Assure that all required signatures are obtained when his/her host line organization originates the cost correction.• Assure that cost correction documentation is maintained for three years.
Division financial analyst	<ul style="list-style-type: none">• Communicate funding status and cost code status to line managers.• Provide program code definitions, scope, and status to line managers.• Provide guidance related to cost correction justifications to line managers, project leaders, and UC employees.• Review cost corrections for appropriate signatures.• Approve cost corrections when the conditions of the transfer are in accordance with this policy.

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Cost Corrections, Continued

Roles and responsibilities (continued)

Role	Responsibilities
General Accounting Team member	<ul style="list-style-type: none">• Review all cost correction requests, except for Time and effort corrections, for completeness in accordance with this policy.• In a timely manner, forward all cost correction requests to be processed by someone other than the General Accounting personnel.• Retain documentation to support all cost correction requests, except for Time and effort transfers.• Maintain current feeder ID information in FMIS.• Maintain official BUS Division cost center contact information in FMIS.
Line manager	<ul style="list-style-type: none">• Assign resources to projects.• Communicate assignments and appropriate cost codes to staff.• Approve labor and non-labor cost corrections to certify the propriety of the transfers in accordance with this policy.• Communicate concerns to project leaders/program managers.• Assure that documentation to support time and effort cost corrections is retained in accordance with this policy.
Laboratory employee (includes UC and contract employees)	<ul style="list-style-type: none">• Execute projects as assigned and agreed upon with line managers.• Use appropriate cost codes as communicated by line managers, project leaders, program managers, or financial analysts.• Initiate necessary cost corrections in accordance with this policy.

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Cost Corrections, Continued

Roles and responsibilities (continued)

Role	Responsibilities
Program BTL	<ul style="list-style-type: none"> Assure that all responsibilities assigned to respective program financial analysts are performed in accordance with this policy. Approve non-labor cost corrections when the conditions of the transfer are in accordance with this policy. Approve labor cost corrections for more than 200 labor hours when they are within his/her respective line organization. Assure that all required signatures are obtained when his/her host program office originates the cost correction.
Program financial analyst	<ul style="list-style-type: none"> Communicate financial status to program managers, project leaders, and division financial analysts. Provide program code definitions, scope, and status to division financial analysts. Maintain program code/cost account/work package tables within the financial system. Provide guidance related to cost correction justifications to program/project managers and employees.
Program manager/project leader	<ul style="list-style-type: none"> Negotiate work scope, resource requirements, and budget with line managers. Communicate changes in cost codes (including program redirection) to line managers.
Timekeeper	<ul style="list-style-type: none"> Enter time and make corrections in the Time and Effort System in accordance with the Time and effort reporting process (see the <i>Financial Management Handbook</i>, Chapter 4).

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Cost Corrections, Continued

Procedures	Procedures for the BUS-1 General Accounting Team and feeder system owners are included in the next section. Samples of cost corrections and required back-up documentation will be included in this section in the near future. Where appropriate, these procedures will refer to those documents.
Coding and/or typographical errors	<p>The financial analyst, line manager, or program/project manager may identify costs posted to a different cost code than that agreed upon with employees or financial personnel. The employee originating the transaction may have been uninformed as to the correct cost code, or the cost code may have been mistyped on the source document.</p> <p>If the cost is a non-labor cost, the originator of the source document or the respective financial analyst sends a <i>Cost Correction Form</i> and the required documentation to the BUS-1 General Accounting Team for correction. The <i>Cost Correction Form</i> must identify the coding or typographical error as justification for the transfer. The financial analyst researches the source of the error and contacts the feeder system contact to ensure that the cost code is corrected in the feeder system.</p> <p>If the cost is a labor cost, the employee or division financial analyst requests that the timekeeper correct the error, justifying the transfer on the basis that there was a coding or typographical error.</p>
Data entry errors	<p>The financial analyst, line manager, or program/project manager may identify costs posted to a different cost code than those identified on the source document (a data entry error).</p> <p>If the cost is a non-labor cost, the originator of the source document or respective financial analyst sends a <i>Cost Correction Form</i> and a copy of the source document to the BUS-1 General Accounting Team for correction.</p> <p>If the cost is a labor cost, the employee or division financial analyst requests that the timekeeper correct the error, providing a copy of the manual timesheet as justification for the correction.</p>

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Cost Corrections, Continued

**Program
redirection
and/or B&R
recast**

Program redirection and B&R recasts both realign programmatic structures. A B&R recast is always externally imposed while a program redirection may be requested by an external sponsor or the by a (internal) program office.

To minimize the effort associated with a program redirection, it is recommended that a program office plan its restructuring for the beginning of the fiscal year. The respective program managers and business team leader define the program office's new program code structure and work with project leaders to define the cost accounts/work packages related to each new program code. Line managers and project leaders educate each of the affected employees on the overall structure and his/her assigned program code/cost account/work package. The procedure for program redirection and/or B&R recasts is as follows:

- The program business team leader cross-references the new program code structure to the previous program code structure and provides the cross-reference to the appropriate BUS employees and feeder ID contacts identified in FMIS.
- Upon receiving the new program code cross-reference, the following actions occur:
 - The BUS-1 Accounts Payable Team transfers all relevant purchase order commitments to the new program codes;
 - The BUS-1 Property Accounting Team transfers all relevant work order commitments to the new program codes; and
 - All feeder system owners convert program codes in their systems to be consistent with the new structure for future charging.
- The program business team leader or his/her designee sends a *Cost Correction Form* to the BUS-1 General Accounting Team requesting that all costs incurred against old program codes after the effective restructure date be transferred to the new program codes. The *Cost Correction Form* identifies the costs that are being transferred in order to reflect the new program direction.

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Cost Corrections, Continued

Reorganization To minimize the effort associated with reorganization, it is recommended that an organization plan its restructuring for the beginning of the fiscal year. The respective line managers and business team leader define the organization's new cost center structure and educate each of the affected employees on the overall structure and his/her assigned cost center. The procedure for reorganizations, similar to that for program redirection and/or B&R recasts, is as follows:

- The division business team leader works with the host division's Human Resources generalist and the BUS-1 Payroll Team to transfer all division employees to the new cost centers. After all employees have been transferred, the business team leader may instruct the General Accounting Team to inactivate the old cost center codes. Timekeepers are notified when this happens.
- The business team leader cross-references the new cost center structure to the previous cost center structure and provides the cross-reference to the appropriate BUS Division employees and feeder ID contacts identified in FMIS.
- Upon receiving the new cost center cross-reference, the following actions occur:
 - The BUS-1 Accounts Payable Team transfers all relevant purchase order commitments to the new cost centers;
 - The BUS-1 Property Accounting Team transfers all relevant work order commitments to the new cost centers; and
 - All feeder system owners convert cost centers in their systems to be consistent with the new structure for future charging.
- The division business team leader or his/her designee sends a *Cost Correction Form* to BUS-1 General Accounting requesting that all costs incurred against old cost centers after the effective reorganization date be transferred to the new cost centers. The *Cost Correction Form* identifies the costs that are being transferred in order to reflect the new organizational structure.

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Cost Corrections, Continued

Allocation of costs to co-sponsored projects

A single scope of work may be funded from multiple elements of the B&R structure. The cost is accumulated in a single program code and manually distributed to other program codes within one or more B&R. The procedure for allocating costs between co-sponsored projects is similar to that for allocating costs to related program codes.

If the cost is a non-labor cost, the originator of the source document or respective financial analyst sends a *Cost Correction Form* and the required documentation to the BUS-1 General Accounting Team for correction. The *Cost Correction Form* must refer to the co-sponsorship of the program as justification for the transfer.

If the cost is a labor cost, the employee or division financial analyst requests that the timekeeper correct the error, providing written documentation justifying the transfer on the basis that the programs are co-sponsored.

Allocation of costs to related program codes

Similar activities may be funded from multiple sponsors and identified as related work in the documented defined scope of the program code. In these cases, costs originally posted to one program code may be identified as appropriately reflected against the related program code. The procedure for allocating costs between related program codes is similar to that for allocating costs to co-sponsored projects.

If the cost is a non-labor cost, the originator of the source document or respective financial analyst sends a *Cost Correction Form* and the required documentation to the BUS-1 General Accounting Team for correction. The *Cost Correction Form* must reference the relationship between the program codes as justification for the transfer.

If the cost is a labor cost, the employee or division financial analyst requests that the timekeeper correct the error, providing written documentation justifying the transfer on the basis that the programs are related.

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Cost Corrections, Continued

References

Refer to the following documents for more information on this topic:

- Cost Accounting Standards 401 and 402;
 - DOE Order 534.1;
 - Generally Accepted Accounting Principles (GAAP); and
 - University of California (UC) Prime Contract.
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